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# Speaking Out on Altering Federal Retirement

The Washington Post asked six people who are concerned about proposals to change the retirement plans of federal workers to discuss the subject at a luncheon, from which this transcript was taken.

The participants were:

• Donald J. Devine, director of the Office of Personnel Management.

• Kenneth T. Blaylock, national president of the American Federation of Government Employees, the nation's largest federal union, representing more than 750,000 government workers.

• Rep. Frank R. Wolf (R-Va.), of Northern Virginia's 10th District, where roughly 40 percent of the 540,000 constituents are current or retired federal workers.

• Rep. Steny H. Hoyer (D-Md.), whose 5th District in Pringe George's County includes 80,000 federal workers and retirees.

• Robert Mueller, executive director of the Philadelphia-based Taxpayers for Federal Pension Reform.

• Edwin C. Hustead, director of actuarial consulting services for Hay Associates and former chief actuary at the Office of Personnel Management.

POST: Doctor Devine, the administration is proposing a major overhaul of the federal retirement system. Can you tell us why they're doing it?

DEVINE: We think that we waste a lot of good manpower when people retire too early. We think there are a lot of problems in the personnel system. They build the wrong kinds of incentives in the system. We think we have to build incentives for people to work. Right now our pension system is so generous that the individual can't afford not to retire pretty close to when he or she becomes eligible. . . . You can't even make a convincing argument to make them stay. . . . I think we've got to change the incentive pattern that's built into our pension system so that it orients itself to work rather than leaving the government.

POST: Do you think the federal retireent system is much more generous than any in the private sector?

DEVINE: There are few things I'm surer of.

POST: What do you think about that?

BLAYLOCK: First off . . . 75 percent of the federal employes don't retire until age 61. So there's only about five or six months difference between the retirement in the private sector and the federal sector. So I don't know that there's an incentive to retire that early. Although they can retire at age 55, the truth is, by far the majority of them don't.

DEVINE: Well, the reason, of course, is that there's an age-and-years-of-service requirement and most people don't reach the

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# Pros and Cons of Proposed Federal Retirement Change:

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service requirement until just before age 60. . . .

POST: You're also proposing to raise the employe contribution rates to 11 percent. Many private pension plans are noncontributory. Do you know of any in the private sector that require employes to contribute 7 or 9 or 11?

DEVINE: It's not all that usual in the private sector, but it is very usual for state and local government employes to contribute equal shares with the share done by the employer. The reason that we have the contribution set at the rate we do is that we feel that this system was sold as a 50-50 contribution program. Most federal employes, certainly before I started speaking out on it, believed that the system was supported 50-50. . . .

POST: People are always talking about the unfunded liability of the Civil Service Retirement Fund. What is an unfunded liability and why should we worry . . . about it?

HUSTEAD: The unfunded liability is the amount of money that you would need today to pay off all the future benefits that are going to be paid to current employes and annuitants. So first you figure the total liability and then deduct the assets you have in hand and the assets you expect to get, and the remaining is the unfunded liability. Any pension system has an unfunded liability. Most that I know of. It's all a question of relative level. The figure $520 billion in isolation doesn't mean anything.

MUELLER: In the private sector, you'll have unfunded liability. But in the private sector the difference is not the true fund, of unfunded liabilities. They have to set aside money each year—cash. They have to set aside money for profits. So they amortize that unfunded liability. You have no such thing in the federal government. Basically, what you have here is a system that's funded: 87 percent of it is funded by the American taxpayers.

The American taxpayers will look at the fact, have nothing to compare with it in generosity. In the private sector, retirement income is typically Social Security, plus a supplemental corporate-type pension plan. In the private sector, you may have some businesses allowing their people to retire, even if they're only 55. Almost all of them have actuarial reductions; a penalty for early retirement.

Forty-five percent of corporate pension plans define normal retirement age as 65. But even if somebody in the private sector retires—at, say, 60, 57, 56—their income first will be reduced and secondly depend on Social Security, and Social Security by definition provides no benefit before age 62.

HOYER: The comment that was made . . . that the taxpayer is bearing the burden of it. Of course, the taxpayer is bearing the burden of this. These are the taxpayers' employes. It's much fairer to say that their employers are bearing the burden of this. Public employes work for the taxpayers. And they deserve a fair pension plan.

. . . What has happened is that in order to be competitive in the marketplace . . . we beefed up the retirement system. It has, in fact, been an excellent system, to this point in time, and a system by which all I think fair analysis is either comparable to the private sector or exceeds the private sector. . . . But it has been so because it was offsetting a salary system that was clearly behind the private sector.

DEVINE: I think at one time that was true, but we're talking maybe 20 years ago or something like that. . . . Let's look at another very generous pension system, the military pension system. There's a case where clearly that kind of trade-off was made, in terms of trying to attract people, given very low salaries relative to the private sector before the voluntary military went in. . . .

BLAYLOCK: . . . You can't be in retirement in isolation. You're talking about a compensation system. You're talking about an employer, which is the American taxpayer. I don't agree with the concept that's been built into this . . . that people are eating out of the taxpayer's pocket. . . .

Our people work for the taxpayer. They treat veterans, they keep defense equipment running, Social Security—all those services that Congress decided are necessary to deliver for the American people. . . .

But the retirement was designed to be the main portion of the compensation system that attracted and retained competent and qualified workers. That's the whole purpose of it. . . . They put up with that. They put up with the low compensation. They put up with a lot of other things because that early retirement, that 55-year retirement. . . .

HOYER: . . . I have not found any recruiter, not one from the federal government, who hasn't told me that their ability to recruit the kind of people that Don Devine, Steny Hoyer, Frank Wolf, Ken Blalock and The Washington Post want to see recruited and the public, you, the taxpayers, want to see recruited by the government, has not been substantially diminished because you are no longer competitive with those people you're recruiting against and you're not recruiting against the business in the small town of Clinton, Maryland, in my district.

DEVINE: . . . Where there is a shortage, we have an authority, we have a special pay rate programs. . . .

MUELLER: I come from Philadelphia, and we did a survey and looked at different jobs in the federal government and compared them to private-sector Philadelphia wage rates for those same jobs. I should mention that the Bureau of Labor Statistics says on their index that Philadelphia's 98 percent of the average for the United States.

Let me give you some figures. For an accountant with two years of experience, GS-9, federal government, $20,256, private sector, $18,000; accountant five years experience, $34,900 versus $28,000; computer programmer, although they do a little bit better in the private sector,

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# At Issue Is How Early Workers May Leave Government

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$29,300 versus about $30,000 in the private sector; secretary GS-4, $11,949 in the federal government, $10,000 in the private sector. That's $2,000 difference. . . . In some cases, the federal people are paid a little bit more, some cases the private sector is paid a little bit less. But our study . . . suggests that the pay comparability does exist.

WOLF: If I can tie together a lot of what you all said: One, I think, we have a commitment to the federal employes that are there to make sure that we treat them fairly, that we not break pledges that have been made in the past. . . . When we talk about the federal employe, who are we talking about? There are a lot of different categories:

- The FBI agent that everybody in this room would ask to come to their assistance immediately if you called them and found out that your daughter or wife or son had been kidnaped—that person is a federal employe.
- Those of you who have children and are concerned about drugs in the schools. The drug enforcement agent that's working to keep drugs out of this country is a federal employe.
- The cancer researcher out at NIH . . . that person, who could be with a drug company, is a federal employe and is probably staying there because they're dedicated to working on a cause bigger than they are.
- The people who were killed in Beirut, 17 of them—four were from my congressional district—again, federal employes.

A little more hazardous activity than perhaps working at the Philadelphia National Bank on Broad Street in Philadelphia. Again, federal employes.

- The Secret Service agent that stopped the bullet that would have killed the president of the United States—Timothy McCarthy—is a federal employe.
- The person who's working on clean air or clean water or who worked on the Tylenol case for the Food and Drug [Administration] was a federal employe. So I think we have to tie these things down to the services that they do for the federal government, for the taxpayers. We want the best. . . .

I'm going to propose what I've tried to do in the past. I had recommended that we come out with a blue ribbon panel for two years to look into this, to have people appointed by the president, by the speaker of the House and by Senator [Howard] Baker on a bipartisan basis. Each gets six appointments, two Republicans, two Democrats and two independents. Let them take a look at this and come back and report it.

And I'd recommend it to perhaps President Ford or somebody like him could be chairman. And let everybody work from the same data base. . . .

DEVINE: I don't really think there is a lot of disagreement on the statistics. I'm concerned that we're going to have federal employes upset for two years.

WOLF: They're upset now.

DEVINE: Well, listen, I haven't made any secret since I came in as to what my agenda is. It's been out there since day one. These are the things we have to get through. Get 'em behind us. Then we can go ahead without this kind of controversy. Some big changes that have to be made in this system. We're going to have two years of people being upset, rather than making some decision now.

WOLF: But you have to build people's confidence and many of the proposals and we don't have the time to get into now, your retirement proposal going from 7 to 9 to 11. I pointed out the figure during the hearing. If that person is making $25,000 now with a 4 percent pay raise and goes through with the low rate of inflation that we now have with this administration, after those three years that person will have a net loss of $2,155. . . .

If you're 52 and you're done fully successful work, this federal government owes you an obligation because you've stayed with them, you haven't gone out on strike. You've paid your taxes, you've done everything you're supposed to and what if you're faced with a personal situation in your family.

HOYER: . . . The perception clearly is that [federal workers] are not being treated fairly. I would suggest to the employers—that is, the taxpayers—that that is a very bad situation to have your employes in. And, in fact, the answer to Mike Causey's questionnaire of 30,000 people indicated that they currently have the lowest morale at any point in time in the collective memory of the respondents . . . which fully corroborates what I'm sure Frank is hearing in his district, what I'm hearing in my district and what everybody else is hearing in their district and I'm sure, Don, what you're hearing.

DEVINE: Make the changes, get the stuff behind us.

BLAYLOCK: You want to throw the baby out with the bath water by going to the pay system where we pay people based on personal characteristics, which means their race or age or color or education.

DEVINE: That's not so. Come on. . . .

BLAYLOCK: It's in writing. So here with the retirement system you want to throw the baby out with the bath water. Now with the performance system you want to throw the baby out with the bath water.

WOLF: I have a very high support record for this administration. . . . I think we can be supportive of the administration . . . and still treat our employes fair and decent.

I was a federal employe for a while; my dad was a policeman in Philadelphia. I think they're good people, and we can treat 'em fairly. . . . That's why I think we need a blue ribbon panel to spend two years to come up with some fair reckoning.

MUELLER: I think you'll find taxpayers will agree that federal employes deserve a fair and reasonable pension. . . . We've taken the actual formulas used to calculate civil service retirement system. We've taken the formula used to calculate Social Security and we've taken [the formulas] the Fortune 500, your IBM used to calculate their pensions. We plug that into a computer, we apply the same assumptions . . . same careers . . . identical salary histories: Say all retire in 1974 at age 55 with 30 years service, both making the same salary at retirement: $15,000. Everything is the same except for the formulas. . . .

The civil service retirement system . . . provided that federal worker with an $8,558 pension. The private sector guy . . . would not get Social Security—he happens to be one of the less than 50 percent that's lucky enough to be vested and have a corporate pension plan, but . . . regardless of that, that guy will get $2,700 from his Fortune 500 corporate pension plan. Now, at age 62, when Social Security kicks in for the private sector guy . . . the civil service guy is now up to $16,163. The private sector guy now with Social Security, $7,448. . . .

BLAYLOCK: You're dealing with people and you've got to deal with a total compensation system. You can't just deal with the RIF procedure, you can't just deal with performance evaluation, with the retirement, with the health insurance, with the pay. You've got to deal with the total comp.

Now, we have for years said let's deal with the total compensation system. We've never been able to get an administration or a Congress that was willing to begin to deal in realistic terms with total compensation. Right now by all figures—and they're all over the park . . . —total comp in the private sector is leading the federal sector.

The recent cuts in federal and health benefits and what have you, the caps on pay, has brought it down to where they now lead in the private sector by 2 or 3 or 4 percent. The lines are getting shorter at the recruiting office for federal employes, and the truth is a hell of a lot of good federal workers *are* leaving government. A hell of a lot of good managers *are* leavng government.

A lot of people out there don't want to come into this government anymore because they see this attack as constantly coming from people like the Taxpayers Union, from the current administration.

Don, it doesn't help to get up there and say we've got the greatest workers in the world when you're cutting their health benefits, you're cutting their pay, you're cutting their retirement. Don't tell me you think I'm great and then you cut the hell out of me every way you can. And that's what the federal worker is saying. We don't want a plaque:

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# Speaking Out on Proposed Federal Retirement Change

RETIREMENT, From Page 5

We want recognition and compensation.

DEVINE: I think federal employes should have fair compensation and as I understand that that means fair relative to the private sector. . . . We've been in this debate a hundred times. It's a factual question, and in terms of the total compensation package we pay more than the private sector. We had a bill up there on total compensation comparability, the last administration had a bill up there on total compensation comparability, and the unions didn't want to go.

BLAYLOCK: We sure didn't because it was designed just like yours: You picked a dollar figure you wanted to get to in the budget and then you designed three or four personnel systems to save that dollar figure. You were not trying to get to a fair compensation system.

WOLF: What would be wrong with having a blue ribbon panel on a bipartisan basis?

DEVINE: We just had one. The Grace Commission just finished that. That was a bipartisan group.

HOYER: The Grace Commission was allegedly appointed by the president to look at how to make government more efficient, to apply management techniques from the private sector to make it more efficient. Their proposal on employe pay has nothing to do with efficiency or inefficiency; it has to do with saving money.

DEVINE: It does. No employer pays more than they have to be to be fair and to be competitive in the market, and when they look at our system, our personnel system, that's the first thing that hits them. Is how out of step we are relative to the private sector.

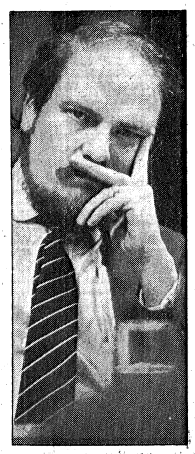
POST: I asked our corporate benefits man how this [existing federal employe retirement plan] compares with The Washington Post, which he says is a fairly average retirement benefit thing. He looked it over and said that it was a very generous plan. The thing that he said that stuck out, and the word was "unbelievable," was the COLA. He said that the cost-of-living adjustment was something that he didn't think any private industry in America had. And that that was the one thing that appeared to him to be really different.

BLAYLOCK: Yeah, [but] in the private sector there's a COLA in Social Security.

HOYER: Of course, there's a COLA. All 36 million retirees, whether they're from The Washington Post, General Motors or anybody else, get the same cost of living adjustment applied to their Social Security.

MUELLER: No, they don't. The average civil service pension in 1981 was $12,432. The average in Social Security was $4,632. Let's look in the private sector. A Department of Labor study shows that only 3 percent of all corporate pension plans offer a formal cost-of-living adjustment in their normal retirement formula.

But if you look at that 3 percent figure, you break it down even more. Only 9 percent of that 3 percent provide it based on 100 percent of the change in the CPI, like the civil service retirement system. But if you break that, even that smaller sliver, that 9 percent of 3 percent down, virtually all of those have a cap. So nobody in the private sector, corporate pension plan, has a complete automatic, 100 percent cost-of-living adjustment that's provided.



Hustead: ". . . relative level"

Mueller: ". . . a fairness issue"

Devine: ". . . wrong incentives"

Photos by RAY LUSTIG—The Washington Post

Blaylock: ". . . fair compensation"

BLAYLOCK: I think you've got to get back to the purpose of the COLA. You know, this, the whole idea of what this country's all about. Now, the COLA is coming into play, Social Security, federal retirement, military and for other reason, other adjustment, to make sure or to begin to help people who are on fixed income to stay up with the cost of living.

MUELLER: . . . This is a fairness and equity issue. Why should federal employes get complete and automatic 100 percent cost-of-living protection when those in the private sector do not have it.

HOYER: That is, of course, however, an issue which has not been raised by Doctor Devine nor this administration. You've got to look at pay and compensation as a package. No administrator of any private sector corporation that your group has made a study of would deal with a particular segment.

Pay, retirement, health benefits, stock options, deductions for business expenses, trips to Jamaica for conventions—everything in that whole package goes together for total compensation. No manager would consider any single element estranged from the other one.

The private sector, when they look at that cost-of-living adjustment, it is clearly more generous than the private sector came up with. No question about that. Any one of us who are public employe advocates would be silly to deny that. . . .

At the same time, if you take a poll of the 36 million Americans who receive Social Security, they feel that that cost-of-living adjustment is absolutely essential. It may be arguable that it's less essential for somebody making two or three times as much on retirement as somebody on Social Security. I think that's a valid argument and we ought not to dismiss it out of hand.

If you cut retirement benefits—substantially, very substantially, as this administration is proposing—without dealing with health benefits, which have been cut dramatically. . . .

Almost everybody that I've talked to now agrees: Pay and health benefits are two other major benefits that federal employes are below. It would be unfair if you reduced the one substantial benefit that federal employes perceive themselves as having. You are going to totally lose any kind of competitive edge that you have that will give personnel officers the ability to continue to recruit the kind of people that we want to get in federal service.

MUELLER: If retirement is so important as a recruiting tool, why is it a fact that the majority of federal employes won't ever get this retirement system? There is a heavy turnover. Isn't it the federal government's responsibility to ensure adequate financial security and retirement for their employes? I would say that they're not when the majority of the people—62 percent—will leave government service without any kind of pension protection. All they'll get is a refund of their 7 percent contribution. They don't have the benefits of Social Security, so they have nothing, in effect.

DEVINE: We changed that. You understand.

MUELLER: Only for new federal employes. I'm talking about current federal employes. Sixty-two percent of them will never get this retirement benefit. We as taxpayers are not taking care of those people because they don't have the affordability of Social Security.

HOYER: It is only the people that stick with you, are performing well because we don't remove them from service. Now that may be a management problem, but that 38 percent who stick with us . . . we treat them well. Nobody is arguing that.

On the other hand, you and I disagree on the statistics that if they went in the private sector, they would get higher pay, more immediate in-hand income. They stay, in many instances, and Frank and I talked to hundreds of people that say, "I have stayed in federal service, not withstanding the fact that I got offers of higher salary in the private sector, because the retirement benefit is more generous and that was the inducement for me to stay on the job."

HOYER: Any corporate manager, whether he's with The Washington Post or any other large corporation, is going to tell you that we ought to resolve personnel questions in a manner that does not have the employes feel like they are the targets of punitive personnel policies. Because if that is the case, your morale will substantially fall off and your performance will follow behind and fall off as well.

I've had employes tell me that if, in fact, they need to come up with another 2 percent of contribution to [keep] the system solvent, they are prepared to do that. They won't necessarily like it.

They would prefer that they don't have to also come up with another 10 percent in federal employe health benefit premiums and have their salaries cut at the same time. They figure you come across all three, that you've undercut them. But they're prepared to respond, I think, honestly and participate in this process, but they don't feel that they're being treated fairly.

WOLF: I don't say that the system is perfect. I don't say that there aren't changes that have to be made. I get letters from federal employes acknowledging that some changes have to be made.

BLAYLOCK: We'd like to see a few labor representatives on that panel. . . . I think the people I speak for will support any compensation system based first off on comparability. We do think that comparability with the private sector is the only fair system of compensation . . . a system of comparability [based] on total compensation we will support.

But we're not going . . . to sit back and just be attacked and be expected to carry the economic burdens of the country and be hung out as scapegoats in an attack on government policy makers, and I include the congressmen, gentlemen, in that.

POST: If you're trying to hire the best people, what's wrong with giving federal workers better benefits in either some or all areas?

MUELLER: Because in the private sector you have to earn a profit to stay in business. In the federal government, they haven't earned a profit in how many years? How long have we had deficit spending. Define that in the private sector they've been in the red for what 19 out of 20 years? They haven't had a surplus since the 1960s.

POST: They were in the red, you know, trying to put a man on the moon.

HOYER: It's not a profit when you have TV back from the moon?

DEVINE: I think the answer is what Mr. Blaylock said. It's a broader question that you can't in an environment, in the government where you're dependent upon the goodwill of the people that pay these benefits, you can't afford to get very far out in front of them. Mr. Blaylock and I, at the theoretical level, we have no differences.

We both agree that we have to pay comparability. And I frankly think the process that the Congress set up to deal with this, that is the pay agent and the federal employes' pay council, is the proper way to do it, in a management-labor kind of environment, which is done in the private sector. Now, the problem as I see it, to be frank about it, is can union representatives afford to be able to do that if—and let's say this is arguable—if, in fact, we are paying substantially over comparability to the private sector? Now, that's a straight out question, and I recognize there are constraints on answering that. But I think that's the problem.

BLAYLOCK: I don't have any problem with that, Don, and I think we demonstrated, my organization leadership, we demonstrated very well during the civil service reform exercise.

HOYER: Maybe outside of the presence of The Washington Post on the record or other people maybe we ought to all sit down. . . .

The point I was trying to make with you, Don, was not in terms of a legal interface that the law requires but your testimony before committees that comparability analysis is incorrect. For all the reasons that you've stated. You believe that certain business ought to be included, state and local employes are not included. Ken obviously has some problem with that. But, in any event, perhaps we ought to sit down at some point in time and kick around where we can agree and where we can't agree and proceed from that point.

BLAYLOCK: I think something like that is going to have to happen, but just like Rossow pointed out and the problem we've had in the past I think you're going to have to freeze the current system, leave it alone and operate under that system to get some credibility at least until something like this can be done on a credible basis because if it has no credibility, just like the Hoover Commission, which did the same thing and went and got shot totally down the tube, it had no credibility. The Grace Commission is going to go the same damn way.

You know there were labor representatives supposed to have been on that commission, but they were never involved at all. So whatever you do is going to have to have credibility, not only with the federal workers but with the players on both sides of the issue and the American public, and you're not going to get credibility with a federal employe as long as you're continuing to cut their health benefits, cap their pay and attack the retirement: The list goes on.

DEVINE: You know that's why I tried to focus, and I think Ken is absolutely right. The problem is that we look at the current year where many of the major decisions are already made and that's why I try to push us to look to the future. Now, there's no question we're in a tough kind of environment now. We're making changes as we go along and that's difficult for the unions, and we're under pressure. And I think that's appropriate. But I do think that we do have a mechanism and a pay agent and a federal employes' council that does—it is the law—that does provide the hope for long-term solutions. But somehow we have to get Ken Blaylock and Don Devine out of the fire of the present so we can then look for the future.

# D.C. Preservation Laws Called Generally Effective

By JOE PICHIRALLO
Washington Post Staff Writer

The District needs more specific guidelines for designating historic buildings and districts but, overall, Washington's laws aimed at protecting old buildings from destruction or alteration are effective, according to a draft report released last week by D.C. and federal planners.

The draft, more than 100 pages on historic preservation, is the latest segment to be unveiled of the District's proposed comprehensive plan, which will chart land use as well as other growth and development policies in the city for the next 20 years.

The entire comprehensive plan is scheduled to be submitted to the City Council for approval in September.

The land-use plan, released last fall, has been the focus of controversy between city planners and citizens groups that have complained that, among other things, it does not provide adequate protections against further commercial encroachments into residential neighborhoods.

But spokesmen for citizen groups said that, based on a preliminary review of the historic segment, it appears to satisfy their concerns.

"It reaffirms a number of the goals and policies that the preservation community believes in," said Karen Gordon, a former president of the preservation group Don't Tear It Down. But, Gordon said, the true test will be whether city officials follow the preservation polices in the draft.

John H. McKoy, director of the city's Office of Planning, which helped prepare the draft along with the National Capital Planning Commission, said it generally calls for no major changes in city procedures.

He said the recommendation for improved designation guidelines is an attempt to strengthen preservation efforts.

The document also calls for more comprehensive surveys of possible historic buildings and sites, particularly by the District government and federal agencies, as a precaution against inadvertent destruction of historic properties. "It suggests that we [the city and federal governments] provide a good example for others to follow," McKoy said.

The framework for the District's preservation program was set up by the City Council's enactment in 1978 of a preservation act, which imposes severe restrictions on efforts to demolish or alter historic buildings and is regarded as one of the most pro-preservation laws in the country. The draft praised the law for protecting the 15,000 historic properties in the district.

However, Whayne S. Quin, a development attorney, said the law needs to be changed to make the process of seeking demolition and alteration permits of historic sites less cumbersome and time-consuming for developers.